

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2021-153-S

IN RE: Application of Palmetto Wastewater Reclamation, Incorporated for an Adjustment of Rates and Charges _____)))))))	PWR RESPONSES TO SOUTH CAROLINA OFFICE OF REGULATORY STAFF’S FIFTEENTH AND CONTINUING REQUEST FOR BOOKS, RECORDS, AND OTHER INFORMATION
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II. REQUESTS

- 15-1 Please provide in MS Excel format a list of all rate cases in which PWR witness Paul Moul has filed cost of capital and/or Return on Equity (ROE) testimony in the last five (5) years. In this response, please include the following for each rate case:
- a. The name of the utility;
 - b. The year in which such testimony was filed;
 - c. The jurisdiction in which such testimony was filed;
 - d. The docket number;
 - e. The ROE proposed by Mr. Moul, along with any updates or adjustments made to his recommended ROE **and** any associated ranges of ROEs;
 - f. The ROE awarded by the overseeing regulatory commission;
 - g. Whether the awarded ROE was the result of an approved or accepted settlement or resulted from a commission adjudicatory decision; and
 - h. Either a PDF of the final order or a publicly accessible link to the same.

PWR Response:

- a-e. Please refer to the Microsoft Excel spreadsheet that is attached.
- f-h. Mr. Moul is either unaware of the outcomes of these cases, or they were resolved by “blackout” settlements that do not reveal the ROE. Recent exceptions were rate case decisions by the Pennsylvania Public Utility Commission for Columbia Gas of Pennsylvania (Docket No. R-2020-3018835) where the Commission granted a 9.86% ROE and for PECO Energy - Gas Division (Docket No. R-2020-3108929) where the Commission granted a 10.24% ROE.

Response prepared by:

Paul Moul

- 15-2 Please provide a list of all rate cases in which Mr. Moul's recommended ROE was the authorized ROE ordered by the overseeing regulatory commission. In this response, please include:
- a. The name of the utility;
 - b. The year in which such testimony was filed;
 - c. The jurisdiction in which such testimony was filed;
 - d. The docket number;
 - e. Whether the awarded ROE was the result of an approved or accepted settlement or resulted from a commission adjudicatory decision; and
 - f. Either a PDF of the final order or a publicly accessible link to the same.

PWR Response:

a-f. Please refer to the response to interrogatory 15-1.

Response prepared by:

Paul Moul

- 15-3 Please provide a list of all rate cases in which Mr. Moul's leverage adjustment was accepted by the overseeing regulatory commission. In this response, please include:
- a. The name of the utility;
 - b. The year in which such testimony was filed;
 - c. The jurisdiction in which such testimony was filed;
 - d. The docket number;
 - e. Whether the awarded ROE was the result of an approved or accepted settlement or resulted from a commission adjudicatory decision; and
 - f. Either a PDF of the final order or a publicly accessible link to the same.

PWR Response:

- a-f. Mr. Moul has not compiled a list of all the proceedings in which his proposed leverage adjustment was adopted in whole or in part. In Pennsylvania those cases include:
- January 10, 2002 for Pennsylvania-American Water Company in Docket No. R-00016339 -- 60 basis points adjustment.
 - August 1, 2002 for Philadelphia Suburban Water Company in Docket No. R-00016750 -- 80 basis points adjustment.

- January 29, 2004 for Pennsylvania-American Water Company in Docket No. R-00038304 (affirmed by the Commonwealth Court on November 8, 2004) -- 60 basis points adjustment.
- August 5, 2004 for Aqua Pennsylvania, Inc. in Docket No. R-00038805 -- 60 basis points adjustment.
- December 22, 2004 for PPL Electric Utilities Corporation in Docket No. R-00049255 -- 45 basis points adjustment.
- February 8, 2007 for PPL Gas Utilities Corporation in Docket No. R-00061398 -- 70 basis points adjustment.

Response prepared by:

Paul Moul

- 15-4 Has Mr. Moul ever submitted cost of capital and/or ROE testimony in a public utility or pipeline proceeding on behalf of a commission's staff, public or ratepayer advocate, or an intervenor? If yes, please:
- a. Identify by jurisdiction, docket number, and the date of Mr. Moul's testimony any instance in which Mr. Moul has submitted testimony on behalf of a commission's staff, public or ratepayer advocate, or an intervenor.
 - b. Produce a copy of or publicly accessible link to all testimonies submitted by Mr. Moul identified in response to subpart (a) of this Information Request.

PWR Response:

- a. Yes.

Delaware Public Service Commission
 Chesapeake Utilities Corporation
 Sussex Shores Water Company
 Tidewater Utilities, Inc.

P.S.C. Docket No. 867
 P.S.C. Docket No. 805, 883
 P.S.C. Docket No. 22-79

- b. Mr. Moul does not possess a copy of those cases.

Response prepared by:

Paul Moul

- 15-5 Refer to Mr. Moul's Rebuttal Testimony at p. 4, lines 2-4. Please provide copies of all theoretical and empirical studies and other source material Mr. Moul relied upon to support his statement that "the CAPM mandates using prospective 30-year Treasury bond yields, leverage adjusted betas, and size adjustment" (emphasis added).

PWR Response:

Mr. Moul did not rely upon sources other than his direct testimony. Please refer to pages 33 to 34 of Mr. Moul's direct testimony.

Response prepared by:

Paul Moul

15-6 Refer to Mr. Moul's Rebuttal Testimony at p. 10, lines 1-4. Provide the following for each of the rate cases cited by Mr. Moul:

- a. The docket number;
- b. The common equity ratios proposed by the company's witness and, as applicable, any public staff, consumer advocate, or other intervenors' witnesses;
- c. Whether the awarded equity ratio was the result of an approved or accepted settlement or resulted from a commission adjudicatory decision; and
- d. Either a PDF of the final order or a publicly accessible link to the same.

PWR Response:

- a. A.18-05-001, A.18-05-004, A.18-05-005, and A.18-05-006
- b. Please refer to the document that is available in item d. below.
- c. Not known.
- d. The requested link is provided herein:

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M250/K266/250266971.pdf>

Response prepared by:

Paul Moul

15-7 Refer to Mr. Moul's Rebuttal Testimony at p. 10, lines 7-9 and the table provided between lines 11 and 12. Mr. Moul states that, "[h]istorically, the small companies within the Water Group have employed a 53.9% common equity [ratio], while the large companies had a 45.0% ratio." Provide copies of all theoretical and empirical studies and other source materials Mr. Moul relied upon to support his assertion that separating smaller companies from larger companies among such a small sample size is appropriate in evaluating common equity ratios.

PWR Response:

Please refer to the attachment provided in response to interrogatory 13-1d.

Response prepared by:

Paul Moul

- 15-8 Refer to Mr. Moul’s Rebuttal Testimony at p. 10, line 14 and p. 11, line 1. Please provide copies of all theoretical and empirical studies and other source materials Mr. Moul relies upon to support his statement that “the Value Line forecasts show that higher common equity ratios are necessary for smaller water companies” (emphasis added).

PWR Response:

Please refer to Mr. Moul’s direct testimony at pages 12-13.

Response prepared by:

Paul Moul

- 15-9 Refer to Mr. Moul’s Rebuttal Testimony at p. 14, lines 1-3. Mr. Moul states that “[i]t is a fundamental tenet of finance that the cost of equity must be higher than the cost of debt by a meaningful margin to compensate for the higher risk associated with a common equity investment” (emphasis added).
- a. How does Mr. Moul define a “meaningful margin” between costs of debt and equity?
 - b. Please provide copies of all theoretical and empirical studies and other source material Mr. Moul relied upon to support this statement.

PWR Response:

- a. Please refer to pages 28-32 of Mr. Moul’s direct testimony.
- b. Please refer to Attachment PRM-14.

Response prepared by:

Paul Moul

- 15-10 Refer to Mr. Moul’s Rebuttal Testimony at p. 15, lines 6-9. Please provide copies of all theoretical and empirical studies and other source materials Mr. Moul relied upon to support his statement that earnings per share growth “must be given [the] greatest weight” in the DCF model.

PWR Response:

Please refer to the attachment “Gordon-Gould - Choice Among Methods” article that is attached to the response to interrogatory 13-1c.

Response prepared by:

Paul Moul

- 15-11 Refer to PWR witness Craig Sorensen’s Rebuttal Testimony at p. 7, lines 8-11 and 16-19. Mr. Sorensen claims that it does not “make sense to recommend a lower ROE than granted to other utilities,” nor does it “make sense to recommend a lower ROE than that granted in PWR’s last rate case” given the Company’s “exceptional performance record.”
- a. Please provide a description of Mr. Sorensen’s education and professional experience as a return on equity/cost of equity witness.
 - b. In how many rate cases has Mr. Sorensen personally filed testimony evaluating the return on equity/cost of equity of a utility company?
 - c. If the answer to subpart (b) is greater than zero, please provide:
 - i. The name of the utility;
 - ii. The year in which such testimony was filed;
 - iii. The jurisdiction in which such testimony was filed;
 - iv. The docket number;
 - v. The ROE proposed by Mr. Sorensen, along with any updates or adjustments made to his recommended ROE and any associated ranges of ROEs;
 - vi. The ROE awarded by the overseeing regulatory commission;
 - vii. Whether the awarded ROE was the result of an approved or accepted settlement or resulted from a commission adjudicatory decision; and
 - viii. Either a PDF of the final order or a publicly accessible link to the same

PWR Response:

- a-b. I hold a Bachelor of Science in Mining Engineering from the University of Missouri-Rolla and a Master of Business Administration from Samford University. I am a registered Professional Engineer in four states, including South Carolina. My experience includes over 25 years in the water and wastewater industry. I am the President of Palmetto Wastewater Reclamation, Inc. (“PWR”) and for all of SouthWest Water Company’s business in South Carolina, Florida, and Alabama. I have testified before the South Carolina Commission in two previous rate cases on

behalf of the regulated utility. I am responsible for the financial results of PWR and am familiar with its performance record, its previous rate filings before this Commission, including cost of capital determinations, and generally with the outcomes of rate filings of its affiliates, including cost of capital determinations.

c. Not applicable.

Response prepared by:

Craig Sorensen

15-12 Refer to Mr. Sorensen's Rebuttal Testimony at p. 4, lines 3-7 and the table provided between lines 7 and 8. Please provide the following for each rate case listed:

- The cost of capital/ROE witness(es) retained by the subject utility;
- The ROE recommended by the subject utility's witness(es), along with any updates or adjustments made to the recommended ROE **and** any associated ranges of ROEs;
- Whether the awarded ROE was the result of an approved or accepted settlement or resulted from a commission adjudicatory decision; and
- Either a PDF of the final order or a publicly accessible link to the same.

PWR Response:

Utility	a Cost of Capital Witness	b Recommended ROE	c Settled vs Adjudicated Decision	d Final Order (Link)
Monarch Utilities I L.P.	Bruce Fairchild	10.0%	Settled	N/A*
Ni Florida, Inc.	N/A**	N/A**	N/A**	PSC-2021-0244-PAA-WS
Oregon Water Utilities - Cline Butte, Inc.	Brian Bahr	10.0%	Settled	21-125
Oregon Water Utilities - Mountain Lakes, Inc.	Brian Bahr	10.0%	Settled	21-124
South Carolina Water Utilities - PUI, Inc.	Harold Walker	10.5% (10.2% - 10.8%)	Settled	2020-561
Palmetto Wastewater Reclamation, Inc.	Harold Walker	10.75% (10.5% - 11.1%)	Settled	2019-314
Suburban Water Systems	Paul Moul	10.3%	Settled	D. 18-12-002

*Unanimous settlement between all parties currently pending Commission approval

**ROE range set annually for all water and wastewater utilities with specific ROE within range dependent on capital structure; a capital structure of 50% equity (as recommended by ORS witness Garrett) would yield an ROE of 9.65%

Response prepared by:

Brian Bahr

Columbia, South Carolina
October 22, 2021